

Senate Republican Budget

A Summary

On March 30th, the Senate Budget Committee (SBC) reported out a budget resolution for FY 2001 on a 12-10 party line vote. This fact sheet summarizes the major elements of the Committee plan. Much like last year's budget and the resolution approved by the House, this proposal assumes large tax cuts predicated on deep, unrealistic and unspecified cuts in domestic programs. Even assuming that these cuts are enacted, the GOP plan commits only \$19 billion of the on-budget surplus to debt reduction between 2001-2005 — \$70 billion less than the President's budget for the same time period.

The \$150 billion tax cut contained in the resolution, combined with the additional interest costs it would require, consumes 98 percent of the \$171 billion non-Social Security surplus. This leaves nothing for prescription drug coverage, defense, or education increases, unless the Congress makes deep cuts in other domestic discretionary programs. As in previous years, these unrealistic cuts are not likely to materialize, posing a real threat of a raid on Social Security.

Table 1: The SBC Republican Budget for 2001

(\$ billions; change to baseline)	2000	2001	2002	2003	2004	2005	2001-05
Non-Social Security Surplus	26	15	29	36	42	48	171
Tax cut (reconciled)	1	13	25	31	38	44	150
Prescription drugs	0	3	7	10	10	10	40
Agriculture	5	2	2	2	2	2	10
Other mandatory (net)	+(*)	1	2	3	3	3	11
Defense discretionary	6	-1	2	2	3	2	8
Nondefense	<u>3</u>	<u>-12</u>	<u>-12</u>	<u>-16</u>	<u>-22</u>	<u>-27</u>	<u>-89</u>
Subtotal, discretionary . . .	9	-13	-10	-14	-19	-25	-81
Debt service	1	1	2	4	6	8	21
Remaining Surplus	11	8	1	1	3	6	19

Note: detail may not add to totals due to rounding.

Five-year numbers. Unlike last year's plan, the SBC Republican budget does not contain ten-year estimates. By omitting the second five years, the Republicans have tried to conceal the long-term cost of their tax cuts, understate their unrealistic cuts in domestic programs, and obscure the fact that their plan includes less debt reduction than the President's.

Major Budget Elements

Debt Reduction – The Senate plan reserves a mere \$19 billion over the next five years for debt reduction, emergency spending, and other unanticipated needs. By contrast, the President’s budget reserved \$90 billion over the same period for debt reduction and Medicare.

Tax Cuts – The SBC budget assumes tax cuts of \$13.157 billion in 2001 and \$149.761 billion for 2001-05. In section 104, the Senate Committee on Finance is directed to report out reconciliation legislation by no later than September 22, 2000 that reduces revenues by no more than these amounts. In section 206, the resolution also requires the Congressional Budget Office (CBO) to update its budget projections by July 1, and allows the Budget Chairman to adjust the resolution aggregates and reconciliation instructions to allow any increase in the non-Social Security surplus to be used for additional tax cuts. Section 205 of the resolution contains another tax reserve fund that allows for any amount of tax reduction that is fully offset by spending cuts.

The CBO update is expected to increase the on-budget surplus by at least \$40 billion over the next five years. A \$190 billion tax cut — although larger than last year’s (which cost \$156 billion over five years) — remains substantially below Governor Bush’s proposal, which would cost \$483 billion over five years. In committee, *Republican members voted unanimously to reject the Bush tax cut.*

The markup materials note that the aggregate tax cut could accommodate repeal of 4.3 cents per gallon of gasoline tax as well as marriage penalty tax relief, tax relief for affordable education, health care, and small businesses. The revenue mark also assumes the repeal the Balanced Budget Act provision that temporarily increased the federal employee retirement contribution by 0.5 percent; although, it does not include reconciliation instructions to require the appropriate committee to act on such a repeal.

Prescription Drug Benefit -- Section 202 contains a \$40 billion reserve for prescription drugs that is made available in two stages. The first \$20 billion is available 2001-2003 as long as the legislation would not cause an on-budget deficit in any of those years. The funds are available for legislation reported by the Finance Committee before September 1, and for any prescription drug bill after that date. An additional \$20 billion is available for 2004-05 if the Finance Committee reports out legislation that (1) does not cause an on-budget deficit, (2) extends the solvency of the Hospital Insurance Trust Fund without the use of transfers of new subsidies from the general fund, (3) does not decrease beneficiaries’ access to health care, and (4) excludes the cost of extending and modifying the prescription drug benefit enacted for the first three years. The \$40 billion reserve is included in the budget totals but is not reconciled to the Finance Committee.

Discretionary proposals -- Overall discretionary spending “envisioned” in the SBC budget totals \$597 billion in budget authority and \$623 billion in outlays in 2001 — \$11 billion above a freeze in budget authority but \$2 billion below a freeze in outlays. However, the actual figures in the resolution are at the statutory spending limits – only because the Republicans (after the conclusion of the markup) unilaterally changed the levels in Function 920 (the “allowances” function) to show huge negative “plugs” in fiscal years 2001 and 2002. These plugs show negative

budget authority in Fiscal Year 2001 of \$59.9 billion and negative budget authority in Fiscal Year 2002 of \$59.7 billion. The budget resolution includes language that allows the Chairman to revise the resolution aggregates and allocations to the Appropriations Committee if and when the statutory limits are revised, up to the levels “envisioned” in the budget resolution.

Even the higher “envisioned” levels for discretionary spending, cut nondefense budget authority in real terms by \$19 billion in 2001, or 6.2 percent. Over five years, the real cut in nondefense programs would be 6.5 percent, and in the fifth year, the cut would be 8.2 percent. If Republicans protect education, veterans’ programs, and other high priority programs — as they have stated they would — all other nondefense programs would be subject to cuts of well over 10 percent. Table 2 compares the discretionary assumptions for 2001 “envisioned” in the SBC budget to the current caps on discretionary spending (which are the actual figures included in the budget resolution), a freeze, the inflated baseline, CBO’s reestimate of the President’s gross discretionary totals, and the House-passed budget.

Table 2: Discretionary Alternatives for 2001

(\$ billions)	<u>Defense</u>		<u>Nondefense</u>		<u>Total</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	BA	O
Discretionary caps1/	—	—	—	—	541	579
Freeze	290	290	296	335	586	625
Inflated	298	296	309	340	607	635
President’s budget	306	295	318	340	625	635
House budget	307	299	289	324	596	622
SBC “envisioned” budget .	307	295	290	328	597	623

1/ Actual levels included in the Republican budget resolution.

For the period 2000-05, overall discretionary spending grows at an average annual rate of 2 percent a year in the Chairman’s mark. Defense grows by 2.6 percent and domestic spending by 1.4 percent. The nondefense growth rates are highly unrealistic and hardly credible, considering that nondefense discretionary spending increased by 4.7 percent between 1991 and 2000 and by 7.7 percent between 1999 and 2000 (based on the levels for 2000 in the Chairman’s mark plan).

The SBC budget assumes a variety of mandatory offsets to discretionary programs which total approximately \$5 billion in 2001 and \$13 billion over the period 2001-1005. These items include: the sale of the Southeastern Power Marketing Administration, cuts in the Fund for Rural America, repeal of the obligation delay for the Social Services Block Grant, cuts in student loan administrative costs, spectrum bankruptcy provisions, a freeze on supplemental grants for population increases, a date change that States may remit SSI payments, and the repeal of windfall

finances deposited in the Crime Victims Fund. In addition, the allowances function (Function 920) includes approximately \$20 billion in highly questionable and unspecified cuts from “reductions in federal costs in programs that appear throughout all budget functions”. These cuts are *in addition* to the unspecified cuts required to reduce the discretionary levels “envisioned” in the budget resolution with the statutory limits, which are the official totals in the budget.

Agriculture Aid. Section 204 contains \$5.5 billion in 2000 for emergency farm aid and \$10 billion between 2001-05 for agriculture relief and the federal crop insurance program. These funds are included in the resolution budget totals but are not allocated to the Agriculture Committee until legislation is reported that meets certain conditions. The reserve fund language states that if the Committee on Agriculture reports a bill on or before June 29, 2000 that provides assistance for producers of program crops and specialty crops and enhancements for agriculture conservation programs, the Budget Committee Chairman can allocate up to \$5.5 billion in 2000, \$1.64 billion in 2001, and not more than \$3 billion for fiscal years 2001-2005 .

Reserve for Stabilization of Payments to Counties in Support of Education. Section 203 contains a reserve fund that allows the Chairman to allocate to the Energy Committee not more than \$200 million for 2001 and not more than \$1.1 billion for 2001-2005 for legislation that provides for the stabilization of receipt-based payments to counties that support school and road systems and also provides that a portion of those payments would be dedicated toward local investments in Federal lands within the counties. These funds are included in the budget totals but withheld from allocation in order to make certain that the Energy Committee uses the resources for the purposes specified in the reserve fund language.

Reserve Fund to Foster the Health of Children with Disabilities and the Employment and Independence of their Families. The reserve fund in section 215 allocates \$50 million in budget authority for 2001 and \$300 million over the period 2001-2005 for legislation reported by the Finance Committee that finances health programs designed to allow children with disabilities to access the health services they need to remain at home while allowing their families to become or remain employed. These payments are included in the budget totals but withheld from allocation until the Finance Committee reports out legislation that meets the conditions of the reserve fund language.

Other Mandatory Spending and Offsets. Other mandatory assumptions in the budget totals that are included in the budget totals but not reconciled or constrained by reserve fund language include:

- The extension of recreational fee demonstration programs for the Bureau of Land Management, National Park Service, Fish and Wildlife Service, and the Forest Services at a total cost of \$89 million in 2001.
- Mandatory budget authority and outlay levels consistent with TEA-21 and FAIR-21.
- The elimination of pre-firm flood insurance subsidy, saving \$49 million in 2001 and \$933 million over five years.
- The elimination of repetitively-flooded properties from FEMA flood insurance for savings of \$58 million in 2001 and \$326 over the period 2001-2005.

- A new one-time grant to the Department of Education of \$2.3 billion in 2001 to establish a Performance Bonus Fund to reward states that improve student achievement.
- An increase in the Social Security block grant of \$3.4 billion over the next five years.
- An additional \$5 million in 2001 and \$5.2 billion over five years for an expansion of the Earned Income Tax Credit (EITC), as part of the Marriage Penalty Relief Act.
- An increase in the Child Care Entitlement to States by \$817 million in 2001.
- Extension of expiring OBRA veterans provisions, for savings of about \$1 billion over five years.

Other Language Provisions

Reserve Fund Pending Increase of Fiscal Year 2001 Discretionary Spending Limits.

Section 312(b) of the Budget Act contains a supermajority (60-vote) point of order against a budget resolution that exceeds the statutory caps on discretionary spending. The SBC budget seeks to avoid this point of order by including a provision, section 209, that withholds a portion of the allocation of discretionary resources from the budget resolution totals and from the Committee on Appropriations spending allocations until legislation is enacted that increases the spending limits to the levels cited in this section and “envisioned” in the budget.

Mechanism for Additional Debt Reduction. Section 207 permits the Chairman of the Budget Committee to reduce the balance on the Senate’s pay-as-you-go scorecard and adjust the appropriate aggregates and allocations no later than October 1, 2000 if the tax reconciliation bill or the prescription drug legislation is not considered or is vetoed by the President. Removing these amounts from the scorecard creates a supermajority point of order against the consideration of future tax cut or mandatory spending legislation that is not offset by other revenue-raisers or mandatory cuts.

Social Security Lockbox. Section 201 includes language that creates a supermajority point of order in the House and Senate against any revision to this budget resolution or any budget resolution for FY 2002 that sets forth an on-budget deficit (with exceptions in cases of low economic growth or war). The language also includes a “look-back” provision that requires that after the end of the fiscal year, in its next budget resolution, Congress must look back to see if any deficit spending has occurred and make the Social Security trust fund whole in the subsequent year by reducing future discretionary spending by an equivalent amount.

Emergency designations. Section 208 extends the current supermajority emergency designation point of order indefinitely and also removes the exception for defense.

Congressional firewall. Section 210 creates a supermajority point of order against legislation that would causes the levels of defense and nondefense discretionary spending in the budget resolution for 2001 to be exceeded for either budget authority or outlays.

Advanced appropriations. Section 211(b) creates a supermajority point of order in the Senate that expires October 1, 2002, against any appropriation that results in the sum of all advances

from fiscal year 2001 into fiscal year 2002 (or into any subsequent fiscal year) in excess of the amounts that were advanced from fiscal year 2000 into fiscal year 2001 for education programs (\$14.2 billion). If a motion to waive the point of order fails, the particular provision falls rather than the whole bill.

Delayed obligations. Section 211(c) creates a supermajority point of order in the Senate that expires October 1, 2002 against the use of any delayed obligations in an appropriations bill, with specific exceptions for current programmatic-driven delays, which total approximately \$11.2 billion and include certain programs within Interior, Labor, Education, Transportation, VA, and EPA. If a motion to waive the point of order fails, the particular provision falls rather than the whole bill.

Senate of the Senate amendments. Section 211(g) creates a supermajority point of order against amendments that consist only of precatory language (sense of Senate amendments). (This prohibition would not apply to amendments on the FY 2001 budget resolution.)

Budget scorekeeping conventions. Section 212 adds language stating that provisions of legislation affecting surplus funds of the Federal reserve banks shall not be scored, to ensure that transfers from nonbudgetary governmental entities shall not be used to offset spending increases. Section 213 reaffirms the current congressional scoring prohibition against using revenues to offset discretionary spending.

Sense of the Senate resolutions. Title III of the SBC budget contains 29 nonbinding Sense of the Senate resolutions on a variety of subjects.

Prepared by Senate Budget Committee Democratic Staff
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